

## Message Text

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ORIGIN SS-10

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FOR THE DEPUTY SECRETARY

FOL TEL SENT SECSTATE FROM PARIS 141451 Z APR 73

QUOTE: PARIS 10468

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E. O.: 11652: GDS

TAGS: ETRD, CH

SUBJ: COTTON TEXTILES

REF: A) STATE 52367

B) PARIS 6336

BEGIN SUMMARY. PRC EMBOFFS CALLED AT EMBASSY APRIL 13 TO PRESENT NOTE CONCERNING PLANNED U. S. REQUEST FOR COTTON TEXTILE RESTRAINTS BY PRC. NOTE DISPUTES U. S. ARGUMENTS AND REJECTS RATIONALE FOR NECESSITY FOR RESTRAINTS. EMBOFF EXPLAINED U. S. POSITION. END SUMMARY.

1. PRC EMBOFFS CALLED AT EMBASSY APRIL 13 TO PRESENT MEMORANDUM RESPONDING TO U. S. MARCH 22 MEMORANDUM INFORMING CHINESE SIDE THAT IT INTENDS TO REQUEST RESTRAINTS IN FOUR CATEGORIES OF PRC COTTON TEXTILE EXPORTS ( REF A).

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FULL TEXT OF PRC MEMORANDUM FOLLOWS:

BEGIN QUOTE. IN ITS MEMORANDUM OF MARCH 22, 1973, THE U. S. SIDE CHARGED THAT CHINA'S EXPORTS OF COTTON TEXTILES TO THE UNITED STATES WERE CAUSING OR THREATENING TO CAUSE DISRUPTION TO THE U. S. MARKET AND CLAIMED THAT ON THIS ACCOUNT IT WOULD IN THE NEAR FUTURE REQUEST THE CHINESE SIDE TO RESTRAIN EXPORTS OF SEVERAL PRINCIPAL COTTON TEXTILE CATEGORIES. THIS IS GROUNDLESS, AND THE CHINESE SIDE CANNOT BUT EXPRESS IMENSE SURPRISE AT THIS.

IT WAS AFTER PRESIDENT NIXON'S VISIT TO CHINA IN FEBRUARY 1972 THAT CHINA RESUMED ITS TRADE WITH THE UNITED STATES AND ITS DIRECT EXPORT OF TEXTILES TO THAT COUNTRY. IN 1972, THE TRANSACTION VALUE OF CHINA'S VARIOUS TEXTILE EXPORTS TO THE UNITED STATES TOTALLED A BIT MORE THAN ELEVEN MILLION DOLLARS, WHILE THE VALUE OF THOSE ALREADY SHIPPED TOTALLED ONLY FOUR MILLION DOLLARS AND MORE, ACCOUNTING FOR MERELY POINT THREE PER CENT OF THE TOTAL OF U. S. TEXTILE IMPORTS FOR THAT YEAR, WHICH IS UTTERLY INCOMPARABLE WITH THE ENORMOUS VOLUME OF EXPORTS FROM OTHER COUNTRIES TO THE UNITED STATES. OF THE TEXTILE EXPORTS SHIPPED FROM CHINA TO THE UNITED STATES IN 1972, THE VALUE OF COTTON TEXTILES IS ONLY TWO MILLION DOLLARS AND MORE. IS IT NOT ABSURD TO ALLEGE THAT SUCH A TINY QUANTITY OF COTTON TEXTILES CONSTITUTES A DISRUPTION OR THREAT OF DISRUPTION TO THE U. S. MARKET\* AS FOR THE POSSIBLE RE-EXPORT OF SOME CHINESE COTTON TEXTILES BY CERTAIN THIRD PARTIES TO THE UNITED STATES, THIS OF COURSE IS SOMETHING BEYOND OUR CONTROL, WHICH CANNOT BE PUT ON A PAR WITH DIRECT EXPORTS. THE TOTAL VOLUME OF CHINESE COTTON TEXTILE EXPORTS IS VERY LIMITED. EVEN IF THESE RE-EXPORTS ARE INCLUDED, THERE IS STILL NO REASON TO ASSERT THAT CHINESE EXPORTS OF COTTON TEXTILES WERE CAUSING OR THREATENING TO CAUSE DISRUPTION TO THE U. S. MARKET. STILL LESS CAN THE U. S. SIDE GAIN CREDENCE IN ACCUSING CHINA, IN ITS MEMORANDUM, OF CAUSING OR THREATENING TO CAUSE DISRUPTION TO THE U. S. COTTON TEXTILE MARKET BY BASING ITSELF MERELY ON THE AMOUNT OF TEXTILES RE-EXPORTED BY THIRD PARTIES PRIOR TO THE RESUMPTION OF DIRECT TRADE BETWEEN CHINA AND THE UNITED STATES IN FEBRUARY 1972 (I. E., IN THE TWELVE MONTHS ENDING JANUARY 31, 1972)-- LEAVING RELIABILITY OF THIS FIGURE ALONE.

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IN FIRM ADHERENCE TO THE SHANGHAI COMMUNIQUE, THE CHINESE SIDE HAS ADOPTED A POSITIVE APPROACH IN PROMOTING TRADE WITH THE UNITED STATES. THE CHINESE SIDE HOLDS THAT IT IS DOUBTLESSLY VERY IMPORTANT FOR BOTH THE CHINESE AND U. S. SIDES TO FOLLOW THE PRINCIPLE OF EQUALITY AND MUTUAL BENEFIT AS STIPULATED IN THE COMMUNIQUE. THE ACTUAL SITUATION IS THAT U. S. EXPORTS TO CHINA HAVE FAR SURPASSED CHINA'S EXPORTS TO THE UNITED STATES. THE 1972 TRANSACTION VALUE OF U. S. EXPORTS TO CHINA TOTALLED ONE HUNDRED AND SIXTY MILLION DOLLARS, WHILE THAT OF EXPORTS FROM CHINA TO THE UNITED STATES WAS MERELY TWENTY-FOUR MILLION DOLLARS. YET NOW THE U. S. SIDE ON THE CONTRARY WANTS TO RESTRAIN EXPORTS FROM CHINA; THIS OBVIOUSLY RUNS COUNTER TO THE PRINCIPLES ESTABLISHED IN THE SHANGHAI COMMUNIQUE AND CAN ONLY PLACE NEW OBSTACLES IN THE WAY OF THE NEWLY STARTED SINO- U. S. TRADE. THIS IS SOMETHING TO WHICH THE CHINESE SIDE CANNOT AGREE. END QUOTE.

2. EMBOFF COMMENTED THAT, WHILE HE DID NOT HAVE FURTHER INSTRUCTIONS ON U. S. REQUEST FOR COTTON TEXTILE RESTRAINTS, HE MIGHT TRY TO CLARIFY CERTAIN POINTS. CONCEDED THAT PRC COTTON EXPORTS THUS FAR WERE FAR SMALLER THAN CERTAIN OTHER MAJOR COTTON EXPORTING COUNTRIES, EMBOFF SAID THAT PROBLEM WAS THE RAPID RATE OF GROWTH IN CERTAIN SPECIFIC CATEGORIES. BASED ON PAST EXPERIENCE, THIS TYPE OF UNBALANCED GROWTH LEADS TO PRESSURES FROM DOMESTIC TEXTILE MANUFACTURERS. U. S. INTENT IN APPLYING COTTON TEXTILE PROVISIONS WAS TO MAINTAIN AN ORDERLY RATE OF GROWTH WHICH IS IN INTEREST BOTH OF U. S. AND EXPORTING COUNTRY. EMBOFF NOTED THAT THERE HAD BEEN CASES IN PAST WITH OTHER COTTON TEXTILE EXPORTING COUNTRIES WHEN EXCESSIVELY RAPID RATE OF GROWTH IN VARIOUS CATEGORIES HAD REQUIRED RESTRAINTS, AND THIS, IN TURN, HAD CAUSED DIFFICULTIES FOR CERTAIN SECTORS OF TEXTILE PRODUCING COUNTRY. IT WAS FOR THIS REASON THAT WE FELT A BALANCED, ORDERLY RATE OF GROWTH WAS IMPORTANT FOR PLANNING PURPOSES BOTH IN U. S. AND EXPORTING COUNTRY. U. S. HAS NO DESIRE TO RESTRICT GROWTH OF U. S.- PRC BILATERAL TRADE, HE CONCLUDED, BUT COTTON TEXTILES WERE A PARTICULARLY COMPLEX ASPECT THIS TRADE. TS'AO SAID THAT PRC MEMORANDUM VERY CLEARLY SPELLED OUT CHINESE POSITION ON THIS QUESTION, AND EMB-  
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OFF AGREED THAT IT DID INDEED. EMBOFF SAID HE WOULD CONVEY CONTENT OF MEMORANDUM TO WASHINGTON IMMEDIATELY AND INFORM HIM OF ANY RESPONSE RECEIVED. IRWIN UNQUOTE ROGERS

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\*\*\* Current Handling Restrictions \*\*\* EXDIS

\*\*\* Current Classification \*\*\* SECRET

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**To:** CINCPAC  
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